

Message Text

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ACTION EUR-12

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FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 0805
INFO AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMCONSUL GOTEBOG
AMEMBASSY OSLO

UNCLAS STOCKHOLM 2466

E.O. 11652: N/A
TAGS: EIND, SW
SUBJ: US SUBSIDIARIES TO CLOSE PLANTS IN SWEDEN

1. ON JUNE 7, THE STOCKHOLM PRESS REPORTED THAT TWO INDUSTRIAL PLANTS, BOTH OWNED BY AMERICAN SUBSIDIARY COMPANIES OPERATING IN SWEDEN, ARE NOW TO BE CLOSED. ONE OF THESE IS THE RAZOR FACTORY OF WARNER-LAMBERT (SWEDEN) AB LOCATED AT HALMSTAD ON THE SOUTHWEST COAST. EFFORTS ON THE PART OF THE COMPANY'S MANAGING DIRECTOR, AKE SVENSSON, TO FIND SOME ALTERNATIVE OCCUPATION FOR THE PLANT UNDER A NEW SWEDISH OWNER HAVE THUS FAR NOT BEEN SUCCESSFUL, IT IS REPORTED. NEITHER HAS MR. SVENSSON'S RECOMMENDATION THAT RAZOR BLADE PRODUCTION BE CONTINUED AT THE PLANT WITH A REDUCED LABOR FORCE MET WITH THE APPROVAL OF THE AMERICAN PARENT COMPANY. SOME 180 EMPLOYEES WILL BE AFFECTED BY THE CLOSURE, OF WHICH THE PERSONNEL HAD REPORTEDLY BEEN NOTIFIED SOME MONTHS AGO. MR. SVENSSON HAS CONFIRMED THAT AN OFFICIAL OF THE AMERICAN PARENT COMPANY IS DUE TO ARRIVE IN SWEDEN AROUND MID-JUNE TO DISCUSS THE SITUATION WITH HIM. HE SAID HE STILL HAS HOPES THAT SOME SOLUTION TO SAVING THE PLANT WILL EVENTUALLY BE FOUND.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STOCKH 02466 091335Z

2. THE OTHER CLOSURE, RECOMMENDED BY A SPECIAL COMMITTEE COMPOSED OF MANAGEMENT AND EMPLOYEE REPRESENTATIVES, IS THAT OF THE RUBBER PRODUCTION FACTORY AT TVAAKER, SOUTH OF GOTEBOG, OF FIRESTONE-VISKAFORS AB, THE SWEDISH SUBSIDIARY OF THE FIRESTONE TIRE AND RUBBER CO., AKRON, OHIO. THIS CLOSURE WILL AFFECT 170 OF THE SUBSIDIARY'S TOTAL LABOR FORCE OF 1,200 PERSONS

EMPLOYED AT THREE FACTORIES IN SWEDEN. THE RECOMMENDED CLOSURE OF THE TVAAKER PLANT, WHICH SPECIALIZES IN THE MANUFACTURE OF INDUSTRIAL RUBBER PRODUCTS, IS SAID TO BE ATTRIBUTED TO THE NEED FOR CONSOLIDATING FIRESTONE'S OPERATIONS IN SWEDEN AND THEREBY IMPROVING PROFITABILITY, WHICH HAS STEADILY DECLINED IN RECENT YEARS AS A RESULT OF A SURGE IN LOW-COST IMPORTS. THE COMPANY'S INTENTION IS SAID TO BE TO CONCENTRATE THE PRODUCTION OF RADIAL TIRES AT THE PLANT AT BORAS, SOME 35 MILES EAST OF GOTEBOURG, AND TO HAVE THE VISKAFOURS PLANT NEAR BORAS TAKE CARE OF ALL MANUFACTURING OF INDUSTRIAL RUBBER GOODS.

3. IT IS REPORTED THAT THE SHIFT IN PRODUCTION OF INDUSTRIAL RUBBER PRODUCTS FROM THE TVAAKER TO THE VISKAFOURS PLANT WILL TAKE FROM 18 TO 20 MONTHS TO COMPLETE. A SPECIAL STUDY OF FIRESTONE'S ACTIVITY IN SWEDEN HAD REPORTEDLY REVEALED THAT BY CONCENTRATING THE COMPANY'S MANUFACTURING OPERATIONS AT TWO PLANTS, THE NECESSARY ECONOMIES WOULD BE ACHIEVED TO RESTORE PROFITABILITY AND COMPETITIVENESS IN THIS AREA. A FORMAL DECISION OF THE RECOMMENDED CHANGES IS SAID TO BE EXPECTED SHORTLY.

4. COMMENT: INQUIRY BY THE AMERICAN CONSULATE GENERAL IN GOTEBOURG DIRECTED TO THE FIRESTONE COMPANY CONFIRMED THE CORRECTNESS OF THE PRESS REPORTS. THE COMPANY SUSTAINED LOSSES OF ABOUT 10 MILLION KRONA LAST YEAR, AND HAS BEEN DEBATING THE PROPOSED REORGANIZATION WITH ITS EMPLOYEES.

5. THE WARNER LAMBERT SHUT-DOWN OF ITS SCHICK RAZOR BLADE FACTORY HAS BEEN UNDER CONSIDERATION FOR MANY MONTHS. THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STOCKH 02466 091335Z

COMPANY WILL PROBABLY CONCENTRATE THE PRODUCTION OF THE BLADES IN ANOTHER SUBSIDIARY IN THE NETHERLANDS. DISPOSITION OF THE SWEDISH PLANT HAS BEEN A PROBLEM: SOME OF THE EMPLOYEES HAVE REPORTEDLY HOPED TO PURCHASE IT, BUT THE MANAGING DIRECTOR HAS NOT FOUND THEIR OFFER SUFFICIENTLY CLOSE TO THE MARKET VALUE. THE EMBASSY HAS BEEN INFORMED THROUGH THE DEPARTMENT THAT WARNER LAMBERT OFFICIALS IN NEW YORK WANTED TO SELL THE PLANT, BUT HAD NOT, AS OF A FEW MONTHS AGO, RECEIVED AN ACCEPTABLE OFFER.
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Decaption Note:
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